

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

/109 W

-----251244Z 106995 /43

R 250953Z APR 77

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 7827

INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

USINT BAGHDAD

C O N F I D E N T I A L KUWAIT 2207

E.O. 11652: NGDS

TAGS: ENRG, EG, MU, PK

SUBJECT: GULF OIL PRESIDENT'S COMMENTS ON GULF ACTIVITIES
IN AREA

REF: KUWAIT 2168 (NOTAL).

1. DURING CALL ON AMBASSADOR APRIL 23, VISITING GULF OIL
PRESIDENT JIMMY LEE EXPRESSED OPTIMISM ABOUT COMPANY'S
ABILITY TO SELL KUWAITI CRUDE IN THE SECOND QUARTER.
HOWEVER, HE SAID THAT THE LONG RUN SITUATION WAS OF GREAT
CONCERN TO GULF, SO LONG AS THE TWO TIER PRICE SYSTEM
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CONTINUED. KUWAIT'S HIGH SULPHUR OIL IS NOT EASILY
MARKETABLE, LEE REMARKED, AND COMPANY HAS HAD TO RELY
ON LONG STANDING MARKET RELATIONSHIPS TO SELL THIS OIL.
OVER TIME, UNDER TWO TIER SYSTEM, COMPANY'S ABILITY TO
SELL THIS OIL WOULD ERODE. LEE SAID HIS COMPANY ESTIMATED
THAT THE TWO TIER PRICE SYSTEM WOULD COST GULF \$15-20
MILLION DOLLARS IN THE U.S. MARKET IN CY 1977 AND \$3-4

MILLION DOLLARS IN THE EUROPEAN MARKET, ASSUMING THAT THE PRESENT PRICE SITUATION CONTINUED.

2. DURING CALL ON KUWAIT CROWN PRINCE AND PRIME MINISTER SHAIKH JABER AL-AHMED AND ON FINANCE MINISTER ATEEQI, LEE OUTLINED GULF EXPLORATION EFFORTS IN EGYPT AND OMAN AND ASKED IF THE GOK WOULD BE INTERESTED IN SOME SORT OF AN ARRANGEMENT TO ASSIST IN FINANCING PRODUCTION SHOULD EXPLORATION OVER THE NEXT 2-21/2 YEARS PROVE SUCCESSFUL. HE SAID THAT HE HAD ADDED THAT GULF WOULD CONSIDER EQUITY AS WELL AS LOAN FINANCING. ATEEQI AND THE CROWN PRINCE INDICATED INTEREST, LEE SAID, ALTHOUGH THE DISCUSSION WAS VERY PRELIMINARY.

3. GULF'S EGYPTIAN CONCESSION IS IN WEST SINAI, INCLUDING A SMALL PART OF THE BUFFER ZONE. THE OMANI CONCESSION IS ON THE BORDER WITH THE UAE, LEE SAID, BUT NOT IN A DISPUTED AREA, IT BEING NORTHEAST OF THE BURAIMI OASIS.

4. LEE SAID GULF IN THE PAST WEEK HAD NOTIFIED THE GOVERNMENT OF PAKISTAN OF ITS INTENTION TO GO AHEAD WITH EXPLORATION. IN THE CASE OF PAKISTAN, THERE MIGHT BE SOME WORLD BANK INVOLVEMENT IN FINANCING. THIS WAS VERY MUCH IN THE FUTURE, LEE REMARKED, GIVEN THE UNCERTAIN SITUATION IN PAKISTAN.

5. COMMENT: DESPITE COMPETITION WITH A STATE DINNER GIVEN BY THE AMIR FOR VISITING VENEZUELAN PRESIDENT PEREZ, AN IMPRESSIVE NUMBER OF HIGH LEVEL KUWAITIS SHOWED UP FOR
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APRIL 23 DINNER GIVEN BY LEE, WHO WAS GULF'S KUWAIT OIL COMPANY MANAGER IN THE 60'S. GULF'S EFFORTS TO INVOLVE GOK IN FINANCING OF COMPANY PROJECTS IN THE AREA ARE ENCOURAGING SIGN THAT GULF IS STILL SEEKING TO MAINTAIN "SPECIAL RELATIONSHIP" WITH GOK.
MAESTRONE

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Disposition Remarks:
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